

Message Text

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ACTION EB-08

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FM AMEMBASSY PRETORIA
TO SECSTATE WASHDC IMMEDIATE 1399
INFO AMCONSUL JOHANNESBURG
AMCONSUL CAPE TOWN

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CAPE TOWN FOR EMBASSY
FOR TREASURY AND SPECIAL CUSTOMS STEEL TASK FORCE

E.O. 11652: N/A
TAGS: ETRD, EIND, KS, SF
SUBJECT: TRIGGER PRICE MECHANISM: SOUTH AFRICAN PRICE
AND COST DATA

REF: STATE 145857

1. SUMMARY: EMBASSY HAS POUCHED LISTS OF SOUTH AFRICAN DOMESTIC STEEL PRICES, MANY OF WHICH ARE GOVERNMENT CONTROLLED, OBTAINED FROM ISCOR WHICH PRODUCES 76 PERCENT OF ALL SOUTH AFRICAN STEEL. ISCOR REPS EXPRESSED SURPRISE AT INQUIRY WHICH THEY ASSUMED RELATED TO ANTI-DUMPING INVESTIGATION, NOTING THAT THEY WERE CURRENTLY NEGOTIATING WITH U.S. CUSTOMS SERVICE OVER CERTAIN STEEL ORDERS PLACED IN 1977 AND NOW BEING FILLED AT LEVELS BELOW TRIGGER PRICE. ISCOR HAS DECLINED TO PROVIDE COST DATA, CITING BUSINESS CONFIDENTIALITY AND SOUTH AFRICAN LAW. DOUBT THAT WE WILL BE ABLE TO DEVELOP COST DATA IN ABSENCE OF COOPERATION OF ISCOR AND SMALLER STEEL FIRMS. END SUMMARY.

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2. ISCOR (SOUTH AFRICAN IRON AND STEEL CORP.), THE GOVERNMENT-OWNED CORPORATION WHICH PRODUCES 76 PERCENT OF SOUTH AFRICAN STEEL, IS BELIEVED TO EXPORT AN EVEN HIGHER SHARE OF SOUTH AFRICAN STEEL PRODUCTS TO U.S. EMBOFF HAS OBTAINED FROM ISCOR THEIR DOMESTIC PRICE LISTS FOR HOT ROLLED, COLD ROLLED, AND GALVANIZED CARBON STEEL

PRODUCTS BOTH BASIC AND EXTRAS. LISTS, EACH OF WHICH RUNS TO A NUMBER OF PAGES, WERE POUCHED JUNE 13 TO SPECIAL CUSTOMS STEEL TASK FORCE, DEPARTMENT OF TREASURY. MAXIMUM BASIC PRICES FOR MANY STEEL PRODUCTS INCLUDING THOSE TYPES UNDER STUDY ARE SET BY THE SOUTH AFRICAN GOVERNMENT. ISCOR ALONG WITH OTHER SMALLER STEEL COMPANIES UNIFORMLY SELL AT MAXIMUM LEVELS SET BY SAG. THEREFORE, BOTH EMBASSY AND REGIONAL RESOURCES OFFICER, JOHANNESBURG, BELIEVE THAT PUBLISHED ISCOR PRICES REFLECT ACTUAL MARKET PRICES.

3. ISCOR'S BASIC PRICES AS SHOWN IN PRICE LIST POUCHED ARE AS FOLLOWS: (ONE RAND EQUALS DOLLAR 1.15; PRICE IS FOR 1000 KG. F.O.R. GERMISTON, TRANSVAAL, PLUS RAILAGE.)

HOT ROLLED SHEETS RAND 226.50

COLD ROLLED SHEETS RAND 275.50

GALVANIZED SLIT SHEETS RAND 329.00

MAXIMUM PRICES AS SHOWN IN GOVERNMENT GAZETTE NO. 5849, DECEMBER 30, 1977, ARE RAND 236.75, RAND 285.75, AND RAND 339.25, RESPECTIVELY. ISCOR SAID DIFFERENCE IS ACCOUNTED FOR BY RAND 10.25/TON CHARGED TO DOMESTIC BUYERS FOR REPLENISHMENT OF EQUALIZATION FUND. LOWER PRICES IN ISCOR'S PRICE LISTS ARE THOSE APPLYING TO FOREIGN BUYERS.

4. WHEN CONTACTED BY EMBASSY, ISCOR OFFICIALS EXPRESSED CONCERN THAT USG WAS INITIATING AN ANTI-DUMPING INVESTIGATION IN LIGHT OF THEIR ONGOING NEGOTIATIONS WITH LIMITED OFFICIAL USE

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U.S. CUSTOMS. (ISCOR HAD ALSO RECEIVED CUSTOMS QUESTIONNAIRE FROM THEIR U.S. AGENT). ISCOR EXPORT MANAGER MANLEY EXPLAINED THAT WHEN TRIGGER PRICE MECHANISM WAS INTRODUCED, ISCOR HAD NUMBER OF ORDERS DATING FROM 1977 WHICH IT HAD NOT SHIPPED DUE TO LIMITS ON CAPACITY. THESE ORDERS WERE AT PRICES BELOW TRIGGER PRICE. ISCOR AND SPECIFICALLY ITS U.S. AGENT, ERIC O'BUNZEL OF TENNANT CORP. AND ATTORNEYS, GRAUBARD, MOSKOVITS, AND MCCAULEY, HAD BEEN IN CONTACT WITH CUSTOMS OFFICIALS BRENNAN AND EHRENSHAFT IN EFFORT TO SECURE WAIVER OF TRIGGER PRICE MECHANISM ON THESE LATE DELIVERIES. ACCORDING TO MANLEY, ISCOR RECEIVED NO COMMITMENTS FROM CUSTOMS BUT CAME AWAY WITH THE UNDERSTANDING THAT THEIR REQUEST WOULD BE CONSIDERED AS FAVORABLY AS POSSIBLE UNDER CURRENT USG REGULATIONS. MANLEY STATED ISCOR NOW HAS LETTER PENDING WITH TREASURY GENERAL COUNSEL MUNDHIM REQUESTING RULING ON MATTER. MANLEY INQUIRED WHETHER CURRENT INVESTIGATION MEANS THAT ISCOR REQUESTS FOR EXEMPTION OF LATE DELIVERIES HAD BEEN REJECTED. HE ADDED THAT ISCOR HAS GIVEN PLEDGES THAT ALL FUTURE SHIPMENTS OTHER THAN LATE DELIVERIES WOULD BE ABOVE TRIGGER PRICES. EMBOFF RESPONDED THAT WHILE CURRENT INVESTIGATION DID RELATE TO NEW TRIGGER PRICE

SYSTEM, HE DID NOT KNOW SPECIFIC REASON FOR INQUIRY OR WHETHER IT WAS DIRECTED JUST AT SOUTH AFRICA OR FORMED PART OF A BROADER WORLDWIDE INVESTIGATION.

5. IN REGARD TO PRODUCTION COSTS, MANLEY CONFIRMED AN EARLIER STATEMENT BY OLIVIER, ISCOR DIVISIONAL MANAGER FOR STEEL MARKETING, THAT INFORMATION IS CONFIDENTIAL AND COULD NOT BE PROVIDED TO EMBASSY OR OTHER ENTITIES OUTSIDE THE COMPANY. MANLEY ALSO CITED TERMS OF SECOND GENERAL LAW AMENDMENT ACT OF 1974 WHICH PROHIBITS SOUTH AFRICAN COMPANIES FROM PROVIDING BUSINESS INFORMATION IN RESPONSE TO FOREIGN REQUESTS WITHOUT APPROVAL OF SAG.

6. COMMENT: GIVEN UNWILLINGNESS OF ISCOR TO PROVIDE COST DATA, BOTH EMBASSY AND REGIONAL RESOURCES OFFICER IN LIMITED OFFICIAL USE

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JOHANNESBURG DOUBT WHETHER IT WILL BE POSSIBLE TO GENERATE MEANINGFUL INFORMATION ON COSTS. WE WILL CONTACT SMALLER FIRMS IN FIELD AND OTHER SOURCES SUCH AS INDUSTRY ASSOCIATION, BUT WITH THEIR NATURAL RETICENCE NOW BUTTRESSED BY SECOND GENERAL LAW AMENDMENT ACT, WE DO NOT EXPECT ANY COOPERATION.

7. CAN WE SAY ANYTHING FURTHER TO ISCOR REGARDING PURPOSE OF INQUIRY AND STATUS OF THEIR NEGOTIATIONS WITH CUSTOMS? EDMONDSON

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